



**Final Minutes  
Endowment Fund Investment Board (EFIB) Regular Meeting  
May 11, 2004**

The regular meeting of the Endowment Fund Investment Board was held on Tuesday, May 11, 2004. Chairman Dean Buffington called the meeting to order at 10:31 a.m. and recognized that a quorum was present.

**Members Present:**

M. Dean Buffington  
Representative William W. Deal  
Gavin M. Gee  
Thomas F. Kealey  
Senator Brad J. Little  
Dr. Richard L. Miller  
William D. Mitchell  
R. John Taylor

**Staff Present:**

Matthew J. Haertzen  
Connie M. Eshelman  
Andrew M. Potter  
Angela R. Zirschky

**Members Absent:**

Parker G. Woodall

**Guests:**

Brian Hayes, RBC Dain Rauscher  
John Pickett, RBC Dain Rauscher

- 1. Executive Session: *Idaho Code § 67-2345* authorizes the board to enter into Executive Session for the purpose of discussing possible legal actions *§ 67-2345(1)(f)* or personnel issues *§ 67-2345(1)(b)*. Any resulting action will take place when the board resolves back into regular session.**

The motion was made by Dr. Richard Miller, second by Senator Brad Little to enter into Executive Session at 10:33 a.m. The roll call vote was as follows:

William Mitchell – Aye  
Thomas Kealey – Aye  
Senator Brad Little – Aye  
Chairman Dean Buffington – Aye  
Gavin Gee – Aye  
Representative William Deal – Aye  
John Taylor – Aye  
Dr. Richard Miller – Aye

The motion carried unanimously.

Regular Session convened at 11:05 a.m.

A motion was made by John Taylor, second by Representative William Deal to accept Matthew Haertzen's recommended salary increases for the Endowment Fund Investment Board's staff. The motion carried unanimously.

A motion was made by Gavin Gee, second by Thomas Kealey to increase Matthew Haertzen's annual salary from \$99,400 to \$110,000. The motion carried unanimously.

**1. Minutes of the December 08, 2003 Regular Meeting: Approved**

A motion was made by William Mitchell, second by Thomas Kealey to approve the February 14, 2004 meeting minutes. The motion carried unanimously.

**2. State Insurance Fund (SIF) Reports: *Staffed by Matthew Haertzen, Investment Manager, EFIB and John Pickett, RBC Dain Rauscher***

*\*Dr. Rick Miller departed the regular session meeting at 11:17 a.m. during the SIF reports.*

Matthew Haertzen reported that the SIF reports were not included in the board packet because of a delay in reconciliation due to the custodial transfer. John Pickett noted that the first page of the SIF report addresses the fund's asset allocation and highlighted that it is very much in-line with policy.

**3. Judges' Retirement System (JRS) Reports: *Staffed by Matthew Haertzen, Investment Manager, EFIB***

***Investment Policy Statement: Approved***

- Matthew Haertzen reported that the 2004 legislation carried by Representative William Deal to amend existing law and allow the Endowment Fund Investment Board to develop an investment policy subject to the review of the Supreme Court and to allow the investment board to select and contract with banks and trust companies located outside of Idaho but authorized to do business in Idaho passed during the legislative session.
- Matthew Haertzen noted that Patty Frost retired from Rainier Investment Management, and Andrea Durbin has assumed management of the portfolio.
- Matthew Haertzen and Brian Hayes, RBC Dain Rauscher, will meet with the JRS on Wednesday, May 19, 2004 to discuss the investment policy statement. Matthew Haertzen asked the board to adopt the revised policy statement, which changes the delegated authority allowing the Endowment Fund Investment Board greater latitude in making investment decisions for the fund.
- During discussion, the board expressed concern that the 8.25% required rate of return in the Investment Policy Statement may be overly optimistic. Therefore, the board requested that the actuary for the fund attend the August regular board meeting to explain the foundation for the return assumptions.

A motion was made by Gavin Gee, second by John Taylor to approve the JRS Investment Policy Statement pending the changing of Section 5, Item 1 from the summary page to read as follows: *The required return is 8.25% which is comprised of 7.50% to meet the actuarial return assumption and 0.75% for the expenses and fees associated with management of the Fund.* The motion carried unanimously.

#### 4. Endowment Fund

##### A. Performance and Update: *Staffed by Matthew Haertzen, Investment Manager, EFIB and John Pickett, RBC Dain Rauscher*

John Pickett reported that the Endowment Fund was ahead of benchmarks at the end of first quarter 2004.

##### B. Staff Reports - *Staffed by Matthew Haertzen, Investment Manager, EFIB*

Matthew Haertzen noted that a new securities lending report was added capturing data from January 01, 2004 to March 31, 2004.

##### C. 2004 Legislative Update - *Staffed by Matthew Haertzen, Investment Manager, EFIB*

Matthew Haertzen reported that the following legislation along with the Fund's budget were passed with near unanimous votes during the 2004 legislative session:

- House Bill HO508a
- House Bill HO509
- Senate Bill S1238
- Senate Bill S1306

#### 5. Manager Summit

A manager summit open to the public and hosted by the Endowment Fund Investment Board was held to discuss the Fund's investment strategies and the outlook for the next fiscal year. Portfolio managers from 14 different firms, (12 of whom manage the investments for the Endowment Fund) attended and presented on their respective asset class. Each manager covered the following specific topics:

1. Expectations for their asset class over the next fiscal year and why they expect it to perform as they forecasted,
2. Why they think it makes sense to take active risk in their asset class, and
3. Why they think they will outperform going forward to justify paying active fees.

The summit commenced at 12:00 p.m. and adjourned at 7:00 p.m. The following managers participated:

<u>Firm</u>	<u>Asset Class</u>
Rainier Investment Management, Andrea Durbin, CFA .....	Fixed Income
Northern Trust Investments, Alexander Matturri .....	Fixed Income
RedSky Partners, Gregg Groechel, CFA .....	Hedge Funds
LSV Asset Management, James Owens .....	Large Cap Domestic Equity
Met West Capital Management, Gary Lisenbee .....	Large Cap Domestic Equity
Mastrapasqua Asset Management, Frank Mastrapasqua .....	Large Cap Domestic Equity
Oppenheimer Capital, Louis Goldstein.....	Mid Cap Domestic Equity
Systematic Financial Management, Ron Mushock, CFA .....	Mid Cap Domestic Equity
Artisan Partners, LP, James Hamel, CFA.....	Mid Cap Domestic Equity
Barrow, Hanley, Mewhinney & Strauss, Inc., Jim McClure .....	Small Cap Domestic Equity
Nicholas Applegate Capital Management, John McCraw .....	Small Cap Domestic Equity
NWQ Investment Management Company, Paul Hechmer .....	International Equity
Marvin and Palmer Associates, Inc., Thomas McAvoy .....	International Equity

Partners Group, Scott Higbee ..... Venture Capital/Private Equity

There being no further business to come before the board, the meeting adjourned at 7:00 p.m.